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EUROPEAN NEWSLETTER ON ENVIRONMENTAL FISCAL REFORM

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Quotations of the Summer

“Taxation is the price we pay for a civilised society.”

Franklin Delano Roosevelt, recited by David Gee, European Environment Agency (EEA), Denmark, www.eea.europa.eu

“Tax what you burn, not what you earn!”

Prof. Steward Elgie, Faculty of Law, University of Ottawa, Canada.

1. EDITORIAL

Dear readers and friends of GBG,

Green Budget Germany is growing steadily. In June we hired the second new staff member to our office in Berlin this year. Swantje Küchler is the first staff member to concentrate solely on research. She will be working on the European Climate Foundation (ECF) research project on making new coal power plants economically superfluous.

In May, we published our new website with a new layout: http://www.foes.de . We hope you like the new design of our page and the improved contents as well. Please send us your critical comments concerning the site: mailto:foes@foes.de.

In May the UBA (German EPA) project of 2008-2009 culminated to the final conference, in which Market-Based Instruments in environmental policy were discussed from the view of the present financial crisis:
http://www.foes.de/veranstaltungen/dokumentationen/2009/berlin-29052009/?lang=env

Back-to-back with the final conference, GBG's Annual General Meeting also took place, and two new members of the executive board were elected. **Dörthe Fouquet** is a lawyer and has an enormuous knowledge about legal questions in the European Energy sector. **Martin Weiss** is political scientist and worked as a consultant of the European Commission in Brussels, Head Office Environment and concentrates especially on international negotiations in climate protection. Now he is about to move to the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety in Berlin.

At the end of the final conference, the Adam Smith Prize for 2009 was also awarded. This year's recipient was **Jos Delbeke** from the European Commission DG Environment, as he is often regarded as the 'father' of the emissions trading scheme in the EU.

Currently GBG is working on various research projects, concerning economic incentives to avoid the building and operation of new coal fired power plants, nuclear energy subsidies, subsidies for company cars in the European Union and beyond as well as EU stimulus packages.

In May WWF had launched the findings of the research we did for WWF regarding the environmental, social and economic evaluation of the two German economic stimulus packages.

On 17th July the Annual Conference of Green Budget Europe took place in London. The conference set out to examine the potential of Environmental Fiscal Reform to provide at least part of the solution to the current financial crisis, where conventional instruments appear to have failed. The revenue raising potential of EFR and MBIs has never held so much promise as in today's era of growing budget deficits. What is more, the COMETR research project recently established that EFR does not have a negative impact on growth or competitiveness, but that the opposite is often the case. A number of high-ranking speakers from the European Commission, European research institutes and civil society were invited to present their interpretation of these developments, which provoked thoughtful and fruitful discussions.

The conference evaluated EU environmental and fiscal policy in this context, looking in detail at the sustainability of EU transport policy, the EU Budget Review, the Emission Trading Scheme and green deficit spending. Presentations and photos of the conference can be downloaded at: http://www.foes.de/veranstaltungen/dokumentationen/2009/london-17072009/?lang=en

The conference was organised back-to-back to the final conference of the PETRE project of the Anglo-German-Foundation (AGF) for which this was the last project before it decided to dissolve itselve after having fulfilled its tasks over the past decades.

As usual, this newsletter provides more details on the above processes and provides for information on the latest turns regarding Environmental Fiscal Reform and Market-Based Instruments in environmental policy, both on the European and global level, as well as interesting articles concerning the actual crisis. We also want to inform you of upcoming events and recent publications on the topic.

We wish you a pleasant reading! Your GBG Editorial Staff

2. GREEN BUDGET REFORM IN THE EU

EU-Commission unlikely to adopt the revised energy tax directive in 2009

[GBG, July 28 2009]

It is unfortunately not very likely that the Commission will adopt a revised draft directive before 2010 which is currently discussed at working level in the European Commission. Hence, the Swedish ambitions will likely be hindered by the Commission. Furthermore it is rather a renaming of eisting minimum tax rates than a substantial overall increase of them which would be required to really have a positive environmental impact – let alone to cath up with the devaluation due to the past inflation. However, a version the Directorate General TAXUD is already using for involving member states and other stakeholders has thus already been circulated informally which GBG managed to get a copy of and which can be downloaded from here:

http://www.foes.de/pdf/Energy%20Taxation%20Interservice%20proposal2%20(2).pdf

EU-Carbon tax seen complementing ETS

[Jeff Coelho, Carbon Market News, July 8 2009]

An EU-wide carbon tax could complement cap-and-trade by inducing all sectors to cut emissions.

However, the idea remains a political obstacle despite growing support from some European governments to use a tax as a way to put a price on carbon emissions from sectors not covered by the cap-and-trade scheme, according to observers.

"It (carbon tax) is a logical thing to do," said Christian Egenhofer, senior research fellow at The Centre for European Policy Studies, a Brussels-based think tank.

"The question is how you do it and how you get political support," he said, pointing out that governments in the Nordic region, as well as in the Netherlands, France and Italy, might support an EU-wide carbon tax.

Sweden, which currently holds the rotating EU presidency through the rest of the year, wants to revise the energy taxation directive by introducing a carbon dioxide (CO2) tax.

In May, Swedish Environment Minister Andreas Carlgren said a CO2 tax should be introduced from 2013 and focus on the 60 per cent of emissions not covered by the EU emissions trading scheme.

Since 1991, Swedes have been paying a carbon tax for petrol, which has helped to cut the country's emissions by 20 per cent.

"We have always been advocating a CO2 or carbon tax, because this instrument gives the clearest price signal to reduce emissions," Tomas Wyns, an EU policy officer at Climate Action Network Europe, a non-government organisation.

"An emissions trading system, including the auctioning of allowances to the power sector, is seen as a very good second best solution, in particular for a limited amount of large point sources," he said.

However, the introduction of a regional carbon tax will not be easy, because taxation legislation at the EU level requires a unanimous decision, noted Wyns.

Hans-Jochen Luhmann of the Wuppertal Institute for Climate, Environment and Energy said European governments were unsuccessful in trying to launch a regional CO2 tax in the early 1990s, and, with an ambitious approach at least, again in 2004.

"All these approaches failed mainly, and that not by bad luck," he said, noting the EU's unanimity clause in taxation legislation.

Luhmann regards the EU's carbon trading scheme as a "successful substitute" for the tax approach.

"The Swedish approach is to be checked - but to overcome the option of veto positions by any of the 27 member states may reveal very costly," he added.

http://www.pointcarbon.com/news/1.1156244

Will a tax catch non-ETS emissions?

[Opinion by Lorents Lorentsen, director, OECD environment directorate, ENDS Europe, July 2 2009]

A tax on CO_2 would be sensible if the aim is to capture remaining emission sources not covered by the EU emissions trading scheme (EU ETS). Including more emission sources would reduce the cost of achieving a given emission-reduction target.

It would be even better to put in place taxes to capture all the six greenhouse gases covered under the Kyoto Protocol, but in practice that would not be easy. A CO_2 tax should avoid duplicating the sectors or emission sources already covered by the EU ETS; otherwise the cost to the economy would be unnecessarily high.

A basic question is, of course: what is an effective tax system? From an economic perspective, it would include taxes that capture ‘economic rents’, such as on revenues from oil production or gold mining, and those that make companies to pay for their wider impacts, for example, environmental pollution.

Other taxes should be broad-based, with tax rates as low as possible within the limits set by the need for fiscal revenues to provide stable financing of public services.

Moreover, governments should avoid granting tax exemptions and rate reductions and avoid earmarking revenues for specific purposes. They should also aim to remove or reduce environmentally harmful subsidies.

Tax systems in many countries are far from meeting these criteria, but greening taxes is a move in the right direction.

Taxes on energy or emissions are efficient in many ways: they provide economic incentives to change behaviours and activities that generate greenhouse gas emissions. They equalise marginal costs of compliance and encourage continued technological development. They can also raise revenues that can be recycled to the taxed sector or used to reduce other distorting taxes (for example, on labour).

Some examples of existing ‘carbon’ taxes include the UK’s Climate Change Levy and ‘CO_2’ taxes in Denmark and Sweden. An interesting common feature of these taxes is that many exemptions, refunds and rate reductions for energy-using businesses diminish their environmental effectiveness. For example, in the UK 80% rate reductions are granted for energy-intensive sectors if they comply with energy-efficiency targets set in negotiated Climate Change Agreements. But these agreements were found to provide hardly any emission reductions beyond what would have happened anyway.

Despite their names, these taxes are not pure carbon taxes as their rates do not always reflect the carbon content of the fuels. For example, rates for natural gas are higher than for coal under the UK Climate Change Levy.

On the positive side, revenues in most CO_2 tax systems are used to lower other taxes, notably on labour.

In practice, the environmental effectiveness of ‘green’ taxes is hampered by many distortionary tax provisions. Many tax exemptions and rate reductions are granted in countries that are members of the Organisation for Economic Co-operation and Development (OECD). Reduced tax rates for diesel are commonly found for agriculture, road transport, aviation and fishery sectors, as are tax ceilings for certain industries.

All in all, manufacturing industry pays little in energy-related taxes. These distortionary provisions are the greatest inefficiency found in most of these taxes in OECD countries. They diminish the intended economic and environmental effects. Free permit allocation, as addressed in discussions for the EU climate and energy package and more recently the proposed Waxman-Markey Bill in the US, would in effect be granting tax exemptions.

These exemptions and reductions are often introduced as a result of resistance from industry on the grounds of competitiveness, as is the case for emission permits trading.

But there are ways to maintain the environmental effectiveness of taxes while addressing competitiveness impacts. Examples include recycling tax revenues to affected sectors in a way that does not reduce the intended effectiveness.

It is also important to distinguish between impacts on a sector and impacts on the whole economy. Economy-wide impacts can be rather small if CO_2 taxes are recycled in the form of reduced labour taxes.

Moreover, the costs to sectors that ‘lose’ from such taxes would be offset by gains in the ‘winning’ sectors.

Some governments have suggested introducing border-tax adjustments to mitigate competitiveness impacts. But OECD analysis shows this would cost the economy overall by reducing trade and possibly triggering retaliation.

In sum, a tax on greenhouse gas emissions compared with regulatory standards or voluntary agreements, is in many cases the most cost-effective way to capture emissions not covered by the EU ETS. But to be environmentally effective, such taxes must not have too many loopholes for the emitters whose behaviour the taxes are intended to change.

http://www.endseurope.com/21704

EEA: EU environment agency calls for 'ecosystem pricing'

[EurActiv.com, April 29 2009]

With the EU failing to achieve its ambitious target of halting biodiversity loss in Europe by 2010, the bloc's environment agency is calling for protection measures to be integrated into agricultural, forestry and fisheries policies, and goods and services to be priced according to their true impact on the environment.

"External pressures on biodiversity are not uniform or held in place by geographical designations, and we must not focus all our efforts on preserving islands of biodiversity while losing nature everywhere else," Jacqueline McGlade, executive director of the European Environment Agency (EEA), told a conference on biodiversity protection on 27 April.

The current price of goods and services "does not reflect their impact on the ecosystems that sustain them," according to the agency. The EEA believes "better ecosystem accounting, which indicates the real value of the natural capital that we deplete through our economic activity," is necessary. The agency is urging the EU to integrate biodiversity and ecosystems into key sectors like agriculture, forestry and fisheries.

At the conference, European Commission President José Manuel Barroso confirmed the results of last year's progress report on the implementation of the EU's Biodiversity Action Plan, which revealed that the bloc is not even close to achieving its target of halting biodiversity loss in the EU by 2010.

According to the report, 50% of all species and up to 80% of habitat types in need of protection in Europe have "unfavourable conservation" status, which indicates species decline. The same goes for over 40% of European bird species.

"We are running up debts against the future of the planet that we will never be able to repay," said Barroso, referring to the destruction of nature as "the ultimate toxic asset".

Barroso presented the EU executive's new "seven-point plan for nature protection," which highlights the need to better communicate why biodiversity and healthy ecosystems matter, and how they underpin economic, social and cultural well-being.

The Commission president also urged member states to implement existing EU legislation, citing the Birds and Habitats Directives as examples. The EU must also "agree on new policies to address deforestation and to reduce the EU's ecological footprint," he added.

BirdLife International welcomed "the strong calls made by key decision-makers" to put an end to the loss of animal and plant species, but lamented the apparent "huge gap between aspirations and real action". It also deplored the fact that the conference's message remained "vague", and was not ambitious enough regarding the policy reform required.

The 'European Habitats Forum' - comprising 17 conservation NGOs - presented the conference with its recommendation for the EU's 'post-2010' biodiversity policy. The forum is calling for a complete reform of all EU sectoral policies which have adverse effects on the environment, to support the resilience of ecosystems. It is also urging the bloc to adopt new legislation on soil conservation and reducing invasive alien species.

http://www.euractiv.com/en/environment/eu-environment-agency-calls-ecosystem-pricing/article-181831

Jos Delbeke/EU-Commission: EU climate and energy laws 'on track'

[EurActiv.com, June 11 2009]

The EU is "on track" to reach an agreement on climate and energy by December, says Jos Delbeke, a top Commission official and the 2009 awardee of Green Budget Germany's Adam Smith

Prize. In an interview with EurActiv, he nevertheless warns about the demands of Eastern countries on CO_2 burden-sharing, labelling their alternative proposal “hot air”.

As France prepared to take the EU helm on 1 July, Jos Delbeke, the deputy director in charge of climate change policy at the European Commission, was cautiously optimistic about the chances of finding an agreement before the end of the year.

“I see two good elements. First, there is a strong political commitment by the French,” says Delbeke. Second, he adds, is that a lot has already been achieved since the Commission tabled its climate and energy proposals on 23 January. “The basic architecture of the proposal has been endorsed, not by everybody but by an overwhelming majority,” he says.

“We knew there wasn’t that much time but I am impressed about how much has already been done and I am impressed as well by how many things have already been cleared up.”

In March 2007, heads of state and government of the 27-member bloc pledged to cut their CO_2 emissions by an overall 20% by 2020 in an attempt to curb global warming. The Commission followed up in January this year with a package of measures that outlines how the 20% figure is to be shared between member states.

But problems soon emerged when it came to the details. In June, a group of seven Eastern European countries, led by Hungary, asked for a revision of their national emissions reduction targets for CO_2. They argued that by choosing 2005 as the reference year for basing its calculations, the Commission was favouring the richer, older members of the EU. Instead, they said 1990 should be chosen as the reference year because it better reflects the emissions cuts that followed post-communist de-industrialisation.

Delbeke, however, rejects the idea, saying it may sound attractive but in fact has “major drawbacks”.

“If you go for 1990 […], then you will bring in a lot of ‘hot air’. De facto, this means that new member states would not have to do anything in terms of policy on energy efficiency, renewables, carbon dioxide reduction, etc. And it’s hard to accept that because there is a lot of scope for improvement also in those member states in terms of housing insulation, transport, old technologies in industrial installation, and so on.”

Regarding Polish claims that a revision of the EU emissions trading scheme would fire up energy prices by over 100%, Delbeke is equally uncompromising. “The figures are exaggerated. There is an impact on the price of electricity but we do not see such a high price impact.”

Rather, Delbeke argues, Poland is now paying the price for failing to modernise its power generation sector over the last decade. He also blames regulated electricity prices for delaying much-needed investment in the sector.

“The electricity prices of Poland today are regulated, are much lower than for example in Germany. And now Poland is paying the price for it. If you want to have investment in the sector, it has to happen now because demand is increasing [and] old equipment is still in place,” he says.

http://www.euractiv.com/en/climate-change/delbeke-eu-climate-energy-laws-track/article-173236

Green sector ‘bigger employer than polluting industries’

[ENDS Europe, June 16 2009]

The environmental sector now employs more professionals than polluting industries such as mining, electricity and cement production, and the difference will only increase, says green group WWF in a new report.

The green group called on EU leaders to renew their commitment to reduce emissions to “demonstrate confidence that ambition in tackling the climate problem goes hand in hand with developing the engines of future economies and employment”.

WWF also urges policymakers to implement “long-demanded” policies to help employees make the transition to a low-carbon economy. “There is a clear need for pro-active policies that assist in this transition by way of retraining, skill-building, income support and social protections,” according to the report.

There were 3.4 million green jobs in Europe in 2005 compared to 2.8 million in polluting industries, according to WWF. This includes 0.4 million in renewables, 2.1 million in sustainable transport, and 0.9 million in energy efficient goods and services. On top of these "direct" green jobs, there are another 5 million "indirect" environmental jobs, the group estimates.

"The study clearly points at the winners and provides evidence that climate-friendly policies and technologies make a positive contribution to the economy," said Jason Anderson at WWF.

Jobs in the wind, photovoltaic, bioenergy, public transport and efficient buildings sectors are expected to grow in particular. Germany, Spain and Denmark currently lead on wind power and Germany and Spain on solar power, the report shows.

Job gains in the eco-industry will outweigh losses in conventional sectors, WWF predicts. Greener, more efficient industries tend to be more labour-intensive, it says. Job losses in traditional industries have resulted primarily from the increased automation of these sectors as well as market liberalisation and outsourcing rather than climate policies, the group adds.

http://www.endseurope.com/21573

Denmark: New green tax reform adopted by the Parliament 29 May 2009

[By Franz Michel, July 28 2009]

The Danish Parliament passed a tax reform on 28 May 2009 that cuts personal income tax rates, among the highest in the world, and increases taxation of the consumption and manufacturing of goods that harm the environment, climate or public health.

Taken together, the current reforms optimize and clarifiy the relation between taxes on energy and CO_2 on the one hand and financial burdens on industry resulting from the European Emissions Trading Scheme (EU ETS) on the other.

Considerable reductions in income tax are to be financed partly from increases in excises and abolition of certain exemptions from the Value Added Tax (VAT). In addition, energy taxation will increase both for household and business use. For households there will be an increase on fuels by 15% corresponding to 7.5 kr (1.007€) per GJ and an increase on electricity by 0.06 kr (0.008€)/kWh.

From 2010 onwards, energy taxation for business use will be phased in gradually: In 2010, the tax rates will be 4.5 kr (0.604€) per GJ for all fuels and 1.6 øre (0.214 cent) per kWh for electricity. The rates on light heating fuels have been brought into line with the minimum tax level of light heating oil at 21€ per 1000 litre (The minimum tax level of electricity is 0,4 øre (0.0537 cent) per kWh). In 2013 the rates will amount to 15 kr. (2.014€) per GJ for fuels and 0,06 kr (0.008€) per kWh electricity, while metallurgical and mineralogical processes will be exempted. Since the CO_2 taxes remain unchanged for the the CO_2 quota covered business (EU ETS), these will be exempted from CO_2 taxes but will be burdened with energy taxes from 2013 onwards, while energy intensive industries will be taxed at the minimum rate applicable under the energy taxation directive. Other farmers will be required to pay energy taxation at reduced rates in addition to the present CO_2 taxation. In this way, the double regulation by ETR and ETS will be solved.

A second aspect of the Danish green tax reform concerns a modification of the taxation on waste for incineration (e.g. plastic) based on energy content instead of weight. There will be an alignment with the tax rates on waste mixed with hydrocarbons. Pure biomass waste, which is incinerated, will be exempted.

http://www.deloitte.com/dtt/alert/0,1002,cid%253D264488.html

France lines up carbon tax

[EurActiv.com,June 2 2009]

The French government has set the ball rolling to introduce a carbon tax in 2011, anticipating support for Sweden's plans to make implementing such a scheme at EU level the priority of its upcoming six-month turn at the bloc's helm.

French Environment and Finance Ministers Jean-Louis Borloo and Christine Lagarde opened the debate on the tax by presenting a white paper for public consultation on 10 June.

However, the government did not give details of what products the future tax should cover, nor did it specify how it should be implemented. Instead, it asked a panel of experts to work out the nitty-gritty at a meeting on 2-3 July.

The purpose of the tax is to nudge both businesses and consumers towards greener energy consumption to help France meet its targets for cutting greenhouse gas emissions. The government insists that the tax would not add to the financial burden on industry and households, because it would be accompanied by other tax reductions.

The new tax was initially intended to come into being in 2010. But former Prime Minister Michel Rocard, whom President Nicolas Sarkozy put in the charge of the dossier, said it would not become a reality before 2011 at the earliest. He said he would not commit to any deadlines and described rushing into things as a “recipe for failure”, EurActiv.fr reported.

Sweden has made clear that it aims to push for a Europe-wide tax on CO_2 during its presidency, which starts in July. The Swedish government considers its own tax scheme on fuel and diesel to have been a success, and hopes to relay this to its European partners.

“We now need to initiate discussions on how economic instruments can best be utilised in climate policy. I believe tools such as a carbon tax and emissions trading, if designed well, can play a key role in addressing climate problems,” Swedish Prime Minister Fredrik Reinfeldt said in Brussels on 9 June, outlining his country’s priorities for the EU presidency.

Europe’s emissions trading scheme, the EU’s flagship climate instrument, already sets a price on carbon for industrial emissions. But Sweden argues that this still leaves 60% of emissions untouched, and is advocating a tax as the best way to bring them down.

The French government is arguing along similar lines, claiming that emissions trading is not a suitable instrument for reducing emissions from all sources as it can cover only 38% of the country’s CO_2 emissions.

The idea of a carbon tax was first floated in France by a stakeholder platform, which recommended various emissions-cutting measures in 2007. At the time, Sarkozy promised to consider such a move as a means of shifting France’s high tax burden away from labour to the environment.

The green drive now seems to be back on, as the green coalition Europe Ecologie surpassed all expectations in the European elections last week (7 June) by winning over 16% of the French vote (EurActiv 10/06/09). Although previously a no-go area for many countries, which want to keep their fiscal independence, a tax on carbon now seems to be gaining favour.

http://www.euractiv.com/en/climate-change/france-lines-carbon-tax/article-183135

Inefficient use of EU aid in Hungary

[By András Lukács, July 25 2009]

The Hungarian Economic and Social Council commissioned a study about the effects of EU aid to Hungary. The title of the study is “Questions about the Hungarian development policy”. However, as state money for developments now almost exclusively come from EU funds and their Hungarian co-financing, the study in fact investigates the efficiency of the EU aid to Hungary. The study comes to the conclusion that the system provides aid to those who hand in good applications, and these are not necessarily the best development projects. The writing of applications for state grants has become an enormous and very profitable business. Many of the best brains in Hungary concentrate their efforts and energy on obtaining state grants instead of working out innovative ideas which would truly help the country’s development. According to the study, two thirds of those investments which received state aid would have been anyway implemented even without receiving this aid. Even in those cases when the aid seemingly serves good aims, the money is often wasted. As an example, the study mentions that 35 schools which spent EU money for improving their facilities, shortly afterwards closed down definitively. The Clean Air Action Group, which has been following the fate of EU aid for many years, had called already many times for reconsideration of the system in order to put an end to the wasting of the taxpayers’ money.

http://www.mgszt.hu/index.php?option=com_content&task=view&id=101&Itemid=27

available only in hungarian:

http://www.mgszt.hu/index.php?option=com_docman&task=doc_download&gid=27&Itemid=17

Is the EU developing or destroying public transport in Hungary?

[By András Lukács, July 25 2009]

A new agreement was signed in June this year between the European Union and Hungary, aiming to “continue and enhance the fiscal consolidation” in Hungary. The agreement among others requires that there will be substantial cuts in the state contribution to public transport, especially railways.

Although the share of public transport is relatively high in Hungary in comparison with Western European countries, the rolling stock and tracks are very obsolete. For example, the average age of buses in Budapest is 16 years. The average age of passenger wagons of Hungarian Railways is 30 years. On about 40 per cent of the railway tracks the speed limit is lower (in many cases much lower) than the original maximum speed permitted just after their construction. The new financial restrictions will mean further, accelerated deterioration of the infrastructure and vehicles of public transport. According to the Clean Air Action Group this is a clear violation of the EU regulation on public service in transport. Namely, this regulation obliges the state to pay for the public services it orders, if the revenues from the users do not cover its costs. Another interesting fact is that the EU is providing several billion Euros for developing public transport and railway infrastructure in Hungary during the years 2007-2013. This means that on the one hand there will be some new developments, but on the other the whole system will deteriorate. Doesn't the left hand know what the right hand is doing?

http://ec.europa.eu/economy_finance/publications/publication15388_en.pdf

Italy: *Report on Economic Instruments*

[Italian Ministy of Environment, Land & Sea: "Environmental Challenges" May 2009]

An update on the use of Economic Instruments for Environmental Policy in Italy has been published in the Summary of the new State of the Environment Report prepared in the occasion of the G8-Environment of Siracusa (March 2009).

Environmentally-friendly subsidies seem to be the most used instrument; environmentally-harmful subsidies would need to be analyzed and tackled; wide margins of improvement are available for environmental taxes, full-recovery tariffs and charges.

Many rate structures and levels might be reviewed and increased, especially if compensated with reductions in income and company taxation. The weight of environmental taxes compared to total fiscal revenue has diminished between 1990 and 2007 from 8.7% to 6.2% (as a share of GDP, from 3.2% to 2.7%). Italy could be a good case for an environmental fiscal reform, overall in light of the present economic-financial crisis and considering the trend towards fiscal federalism.

In the study, also GBE is quoted and our work as a platform of European experts on the use of economic instruments in environmental policies is appreciated in the company of EEA and OECD.

http://www.minambiente.it/index.php?id_doc=684&id_oggetto=3&sid=c15e92d049e952ce12dd857a6a7c479c

Spain: Turnaround of position and action: Increase of energy taxation

[By Kai Schlegelmilch, July 23 2009]

The Spanish Government has decided an increase of 2.9 euro cents per litre of petrol and diesel. This has been decided for fiscal reasons, due to the urgent need to finance, among other needs, certain recent initiatives in non-environmental fields.

The interesting thing is that it has been recognised explicitly that this increase can be considered also a market instrument for environmental protection and, consequently, for its fight against climate change, internalising the external costs associated to the combustion of these products.

In the Spanish National Strategy against Climate Change and Clean Energy it was accepted that transport and residential were the sectors where the increase of emissions was more accentuated in Spain, and it was predicted that they would increase by 65% compared to the base year, whilst the target within the Kyoto Protocol for Spain was to increase emissions in only by 15%.

By this new act, the Spanish Government accepts that heavier taxation on the use of these energy products could be used to curb emissions in the sectors that are not subject to the Emissions Trading System. This can be considered a turnaround of its position Spain once took in the negotiations on the still valid EU-energy tax directive which entered into force on 1.1.2004.

Nevertheless, this decision in the right direction has not been considered to be the first step in a series of increases in the context of an Environmental Tax Reform.

http://www.boe.es/boe/dias/2009/06/13/pdfs/BOE-A-2009-9836.pdf

Swedish 2009 Climate and Energy Bill

[By Franz Michel, July 28 2009]

On March 17th the Swedish government released its "Integrated Climate and Energy bill". The Law included the targets of a 40% reduction of greenhouse gas emissions in sectors outside the EU ETS, in relation to 1990 levels, a share of 50% renewable energy of total energy use (39,8 % in 2005) and 10 % renewable energy in transport sector.

To reach its targets, the Government's proposals include using economic instruments in the area of taxation. Existing instruments, including the carbon dioxide tax, will continue to be used and will provide further emission reductions.

Stockholm also intends to realise emission reductions in Sweden, in accordance with adopted measures within the EU, as quickly as possible. For example, the use of fossil fuels for heating will be phased out by 2020.

In addition, the Swedish government is presenting three action plans for conversion to a low carbon society: a fossil-fuel independent transport sector, increased energy efficiency, and promotion of renewable energy. The vision is for Sweden to have a sustainable and resource-efficient energy supply by 2050, with no net emissions of greenhouse gases into the atmosphere.

http://www.regeringen.se/content/1/c6/12/34/66/1a1aa683.pdf

UK: CO_2 caps central to climate fight

[By Nina Chestney, reuters.com, July 20 2009]

A dual system of both national emissions caps and carbon trading schemes should play a central role in cutting global greenhouse gas emissions, a report commissioned by the British government said on Monday.

At the government level, national caps on emissions should ensure countries take responsibility for limiting their own greenhouse gases. At the individual emitter level, trading schemes should cap emissions and allow trade in carbon permits, the report said.

"The current framework for international carbon trading needs reform," said Mark Lazarowicz, the Prime Minister's representative for global carbon trading.

A single global emissions trading scheme would reduce governments' autonomy over their domestic policies and be difficult to put into place, the report said.

A dual system, however, would cover all emissions sectors, respect governments' wish to choose their own tools for reducing domestic emissions and maximize cost effectiveness.

"If well-designed, a dual-level system of global carbon trading could reduce the costs of emissions by up to 70 percent," Lazarowicz said.

REFORM

Market experts say linking the EU's emissions trading scheme (EU ETS) with the United States is a crucial first step toward a global carbon market, which will help achieve real emissions cuts in planet warming greenhouse gases.

The United States plans to introduce a domestic cap-and-trade scheme but the Senate still has to approve it.

Linking the EU ETS with a federal U.S. system by 2015 was "ambitious" but should be a priority, the report said.

A linked system would increase the liquidity and stability of both schemes, cover between 13-27 percent of global emissions and reduce costs across both schemes by 30-50 percent.

It would also provide momentum for an eventual OECD-wide trading scheme, the report said.

To achieve real emissions cuts, the United Nation's Clean Development Mechanism (CDM) needs to be "reformed and streamlined," the report said.

The CDM allows industrialized countries to meet mandatory carbon dioxide cuts by buying offsets generated from clean energy projects in countries such as India and China.

Instead, the report favors a sectoral trading approach, whereby a government would be responsible for meeting an emissions target specific to a particular sector of the economy using an emissions trading scheme, taxation, regulation and/or subsidies.

Under the Kyoto Protocol climate change pact, nations below their emissions targets can sell excess rights, called Assigned Amount Units (AAUs), to other governments that emit above their targets.

The system is expected to result in an AAU surplus of 7-10 gigatonnes tonnes in the period 2008-12. To deal with this problem, developed countries should cancel a substantial proportion of their excess AAUs, the report proposed.

The UK government has decided to cancel surplus AAUs equivalent to the difference between its Kyoto and domestic emissions cut targets, the report said.

http://www.reuters.com/article/GCA-GreenBusiness/idUSTRE56J1BW20090720

UK: Study Shows Timid Support for a Green Tax Shift

[ENDS Europe, June 9 2009]

The British public is sceptical about the benefits of environmental tax reform, which consists of shifting the tax burden from labour to green taxes, according to a study released by environmental thinktank the Green Fiscal Commission on Monday.

The study analyses results from a UK survey carried out in 2007. It shows that, although they support the idea, respondents do not believe a green tax shift would be revenue neutral. Most believed they would be worse off, fearing an increase in the price of energy, and goods and services.

Most controversial issues were increases in fuel taxation and the introduction of a carbon tax on households' energy consumption. There was stronger support for increasing the UK's vehicle excise duty, a differentiated purchase tax favouring cleaner cars, and for a green tax on flying.

http://www.endseurope.com/21513

3. GREEN BUDGET REFORM WORLDWIDE

A Business Guide to Navigating U.S.-China Climate Relations

[By Ryan Schuchard and Laura Ediger, climate-biz.com, July 23 2009]

Earlier this year, we noted several factors that are key to staying on the critical path to an effective climate treaty: The U.S. must enact serious climate legislation, both China and the U.S. would have to ratchet up their respective commitments, and the U.S. Senate needs to ratify the international treaty produced by negotiations in Copenhagen this December.

There is movement forward. On June 26, the U.S. House of Representatives approved the American Clean Energy and Security Act, the nation's first-ever cap-and-trade bill that is also known as Waxman-Markey. China and the U.S. have held numerous climate policy talks, and the U.S. has exerted more leadership in U.N. negotiations than it has in more than a decade. At the recent G8 summit, U.S. President Barack Obama and Chinese President Hu Jintao joined other heads of major economies in agreeing that they should not allow the world to warm more than 2 degrees Celsius.

Yet China still has not committed to specific emissions cuts and targets, a step not only essential to the fight against global warming, but one that will also influence whether the U.S. Senate passes Waxman-Markey. Whatever happens in the Senate, it is clear that climate will remain a dominant trade theme between China and the U.S., the world's No. 1 and No. 2 greenhouse gas emitters. For business, this means that a new policy landscape on emissions will take shape, with potential impacts on regulatory regimes in both countries as well as transnational issues, such as supply chain emissions.The following guide offers insight into what you can do to ensure that your company is positioned for success in this rapidly changing climate.

Anticipate: Understand the Emerging Landscape

Upcoming legislation has the potential to reshape the way U.S. businesses use energy resources, both at home and abroad. Two key issues will determine whether China and the U.S. move toward meaningful cooperation on climate issues in the near future. The first is whether China accepts emissions-reductions targets; the second is whether the U.S. Senate passes a Waxman-Markey bill that China does not perceive as overly restricting Chinese imports.

China's current climate programs are limited to the promotion of energy efficiency, and the country's leadership shows little sign of moving toward carbon-dioxide emissions caps, despite pressure from the U.S. On the U.S. side, domestic manufacturing lobbyists are creating pressure for an eventual cap-and-trade law to contain measures to protect the U.S. from inaction by China. Watch these relationships as the bill goes through markup by July 31 and through committee by September 18, in preparation for a fall vote.

If Waxman-Markey passes, the Senate likely will vote in December on a global climate treaty brought back from Copenhagen by chief U.S. climate negotiator Todd Stern. To secure ratification, perceived leadership by China will be even more important. According to Sen. John Kerry, D-Mass., the 60 votes required for cap-and-trade are within reach, but the 67 votes needed to ratify a treaty will be nearly impossible without more significant commitments than China has signaled so far.

China—which has consistently positioned itself as a developing economy that cannot afford to cut emissions—even as it pushes other countries to make sharp cuts—knows that as the largest global emitter, no climate treaty will work without it. And while negotiators undoubtedly will continue to take a tough line in the build-up to Copenhagen, there already have been signals that a deal can be reached. After his June trip to Beijing, Stern said he expects China to commit to stabilization of long-term emissions around 450 parts per million, as well as a target year for peak emissions.

To stay apprised of possible new commitments by China, follow China's evolving 2011 to 2015 five-year plan, watch ongoing meetings this summer between Stern and China's climate change envoy, Xie Zhenhua, and pay attention to whether coalitions of industrialized and developing nations are able to agree on reduction targets as the G-20 meeting in the U.S. approaches.

A thornier issue is how the two countries will manage emissions in value chains that cross their borders. In March, China's head climate negotiator, Li Gao, famously asserted that the U.S. should take responsibility for emissions that happen in China due to the significant volume of goods produced in China for the U.S. market. Then in June, when the U.S. House of Representatives added mandatory carbon import tariffs for countries like China to Waxman-Markey, China's Vice Foreign Minister He Yafei firmly stated that his country opposed that possibility. President Obama has said he prefers to avoid such measures, but others have pointed out that tariffs could strengthen the U.S. negotiating position as the Senate tries to develop a politically feasible bill.

Assess: Know Where Your Company Stands

Regardless what happens in the near-term with U.S. legislation, bilateral relations with China, and the Copenhagen negotiations, companies should assess how their markets, operations and supply chains will be impacted by potential new policies and regulations, which may include price and market mechanisms, financial incentives, and technical requirements.

All signs indicate that over the long-term, climate change and related policy responses will push prices up for carbon-derived energy. The key question for global companies is whether climate policy will evolve in a smooth and comprehensive way, or whether pockets of local opposition will spark balkanized schemes. The former scenario is most conducive to efficiency and low-transaction costs, the latter more likely to lead to gaming and continued erosion of public trust. So, when considering your company's exposure, think not only about the direct cost of carbon, but also overall market stability and the risks of an uncertain policy regime.

A related issue is the establishment of border measures, which are aimed at addressing cross-border emissions or "leakage," while applying even trade pressures to both sides. If border measures are passed through Waxman-Markey or other legislation, don't count on a trade war, but do expect the World Trade Organization (WTO) to permit them. The WTO is likely to treat cap-and-trade the same way it treats value-added taxes, with border taxes allowed if they reduce distortions. When assessing your exposure, make sure you are aware of where your supply chains cross borders, especially those associated with energy-intensive production.

Act: Take Informed, Decisive Action

It is in the interest of business to promote strong climate policy, both to insure against potentially disastrous long-term consequences and to support innovation and entrepreneurship. An informed analysis should include a full picture of potential policy impacts, including the costs of inaction. Economists agree that, in net present value terms, the costs of ignoring climate change are much worse than those expected to arise from mitigation efforts, such as short-term spikes in energy prices (which will be temporary as companies invest in low-carbon alternatives). Also, be wary of analyses that use overly simplistic calculations of policy costs to assess climate policy. If and when you do decide to influence Waxman-Markey's undecided senators (PDF), you may be most influential if joining forces with existing groups, such as U.S. Climate Action Partnership or Business for Innovative Climate and Energy Policy—or by working with BSR and other players in the field to create other kinds of momentum.

Companies with operations in China should take the time to share with employees, partners, and other members of the business community why climate change is material to your business, and the importance of the U.S. and China making joint commitments. You can help take a lead in transparency by supporting and joining a regional or national climate registry (PDF). Finally, given the upward price pressure of carbon-based energy, consider collaborative opportunities to work with facilities and suppliers to increase energy and carbon efficiency.

Increased awareness of the direction climate policy is headed in both the U.S. and China is beneficial for business planning, as changes in energy subsidies or incentives and cross-border emissions regulation all carry significant financial implications. Understanding the international dialogue and positioning by each side will help you predict upcoming regulatory shifts in both countries, and will create the opportunity for informed action to influence policy. As Waxman-Markey winds its way through the Senate en route to the White House, don't lose sight of the effects this bill may have for your business far beyond U.S. borders.

(Ryan Schuchard is manager of environmental research and innovation and Laura Ediger is environmental manager at Business for Social Responsibility.)

http://www.climatebiz.com/print/35749

RGGI trade surges on US carbon bill

[carbonpositive.net, July 21 2009]

The volume of carbon emissions traded worldwide grew 6 per cent in the second quarter of 2009. The growth came on the back of a surge in speculative trading in US regional carbon allowances.New Carbon Finance (NCF) market analysis shows the total worldwide volume of carbon allowances and offset credits traded rose to 2,047 million tonnes (Mt) in the three months to June.

That's a rise from the 1,926Mt in the first quarter when economic recession hit hardest in the carbon market.The overall rise was entirely accounted for in a 320 per cent surge in the number of allowances traded in the Regional Greenhouse Gas Initiative (RGGI) emissions trading scheme in the US North-East.

The 172Mt-rise in RGGI trade does not include 100 million US tons released at two auctions this year.The RGGI rise offset falls in volumes traded on the Chicago Climate Exchange and Kyoto's AAU and secondary CER markets. RGGI volumes reached 227Mt, almost overtaking the world's second biggest carbon market, Kyoto's Clean Development Mechanism (CDM), which saw trading in its CERs fall 2 per cent to 233Mt.

Trade in RGGI credits lifted in the second quarter on anticipation of their acceptance on a one-for-one basis under a US federal cap-and-trade scheme outlined in the Waxman-Markey bill. That offered potential for speculative profits for carbon traders who might buy RGGI credits at their lower prices around $3-$4 and exchange them for new US carbon allowances expected to be above $10 per allowance.

However, when the bill passed the House of Representatives in late June, treatment of RGGIs changed, NCF says. The US climate bill as it currently stands would allow RGGIs bought between 2009 and 2011 to be valued only at their average auction price in exchange for federal allowances. The heavy trade is therefore not expected to be maintained in the third quarter of 2009, the analyst firm says.

NCF says secondary trading of issued CERs fell 15 per cent to 154Mt while there was a welcome lift in primary market transactions of new and future CERs to 79Mt. New projects to generate CERs virtually dried up toward the end of 2008 as carbon prices fell and finance became harder to find following the global credit crunch. The world's biggest existing market, the EU ETS, saw a 3 per cent rise in volumes traded in the June quarter to 1,541Mt.

http://www.carbonpositive.net/viewarticle.aspx?articleID=1617

The U.S. House Passes Landmark Climate Change Bill

[ClimateBiz, June 26 2009]

The U.S. House of Representatives narrowly passed a sweeping climate change bill on 26th June that will significantly change the way Americans use and produce energy. The American Clean Energy and Security Act (ACES), which passed on a 219-212 vote, now moves to the Senate, where experts predict another battle.

Environmental groups hailed the bill's passing.

"This vote was a major hurdle, and we've cleared it," Kevin Knobloch, president of the Union of Concerned Scientists, said in a prepared statement. "[…] Now we have momentum to move and improve legislation in the Senate and put it on President Obama's desk so he can go to December's international summit in Copenhagen with the full backing of the Congress and the American people."

Before the vote, Speaker Nancy Pelosi (D-Calif.) told her colleagues "we cannot hold back the future." She offered four words that she said represent the meaning of the legislation.

"Jobs, jobs, jobs and jobs," she said.

Oakland, Calif.-based nonprofit Green For All, which was a driving force in securing green job training funds in the American Recovery and Reinvestment Act, called the bill a significant step forward in creating a more equitable and secure country. The bill includes a $860 million allocation to the Green Jobs Act.

"This legislation will not only position America at the forefront of the clean-energy economy but will also create jobs and opportunities for communities that are too often at the margins - and the smokestack end - of our current economy," Green For All CEO Phaedra Ellis-Lamkins said in a statement.

Coalitions of labor and environmental groups praised the House of Representatives for approving key investments in domestic clean energy manufacturing to be part of the Waxman-Markey legislation.

"The American Clean Energy And Security Act is a giant leap forward to establish energy security, reduce harmful carbon emissions,and create millions of green jobs that will put our citizens back to work and get our economy back on track," said Phil Angelides, chairman of the Apollo Alliance.

He called the inclusion of investments to help the country's manufacturers retool plants and retrain workers for the clean energy economy "a major victory that will keep millions of new, green jobs here at home and help revive America's long suffering manufacturing sector."

As expected with such a heated issue, many groups came out with statements of concern in the wake of the vote. In a prepared statement, James C. May, the president of the Air Transport Association of America, said, "The nation's airlines have an impressive environmental record and are committed to working with the administration to address climate change, but we have strong concerns about the Waxman-Markey bill and its punitive one-size-fits-all approach. This cap-and-trade bill creates an onerous fuel tax on the airline industry."

The bill aims to significantly reduce greenhouse gas emissions blamed for climate change: 17 percent below 2005 levels by 2020, with other measures promising additional reductions. At its core is a greenhouse gas cap-and-trade program that gives away about 85 percent of the carbon permits to utilities, heavy industry, refiners, among others, and includes provisions to shield consumers from rising energy prices.

Among the key provisions in the bill, according to House Majority Whip James Clyburn:

- Require electric utilities to meet 20% of their electricity demand through renewable energy sources and energy efficiency by 2020.

- Invest in new clean energy technologies and energy efficiency, including energy efficiency and renewable energy ($90 billion in new investments by 2025), carbon capture and sequestration ($60 billion), electric and other advanced technology vehicles ($20 billion), and basic scientific research and development ($20 billion).

- Mandate new energy-saving standards for buildings and appliances, and promote energy efficiency in industry.

- Reduce carbon emissions from major U.S. sources by 17% by 2020 and over 80% by 2050 compared to 2005 levels. Complementary measures in the legislation, such as investments in preventing tropical deforestation, will achieve significant additional reductions in carbon emissions.

- Protect consumers from energy price increases. According to estimates from the Environmental Protection Agency, the reductions in carbon pollution required by the legislation will cost American families less than a postage stamp per day. CBO calculates that the legislation will cost the average household less than 50 cents per day.

The U.S. Environmental Protection Agency estimates the bill in its current form would cost American households between $80 and $111 per year, which equals 22 cents to 30 cents per day. A separate analysis from the Congressional Budget Office projected an annual cost of $175 for U.S. households by 2020.

The American Council for an Energy-Efficient Economy concluded the bill's energy provisions would save U.S. households up to $1,050 cumulatively and produce more than 300,000 jobs by 2020.

http://www.greenbiz.com/news/2009/06/26/waxman-markey-passes

Obama calls on Senate to pass climate bill

[Rory Carroll, Carbon Market News, June 29 2009]

President Barack Obama urged the Senate to pass the climate bill approved on 26th June by the House.

During his weekly video address, the US president congratulated the House for passing the Waxman-Markey bill, which he said would cut US greenhouse gas emissions, reduce US dependence on foreign oil, and create millions of new jobs.

"Now my call to every senator, and every American, is this – we cannot be afraid of the future, and we cannot be prisoners of the past," Obama said.

Still, Obama is said to have concerns about the trade provisions in the House bill, which would allow the US to institute tariffs on imported goods like steel that come from countries that don't take comparable emission reduction obligations.

Those duties could be enacted beginning in 2020 under the House bill.

There is debate over how those tariffs would be viewed by the World Trade Organisation, which promotes free trade and which the US is a founding member.

http://www.pointcarbon.com/news/1.1149254

G-8 Failure Reflects U.S. Failure on Climate Change

[Carbon Tax Center, Guest Post by Jim Hansen, Jim Hansen is director of the NASA Goddard Institute for Space Studies, but he writes on this policy-related topic as a private citizen, July 9 2009, This post first appeared on Huffington Post on July 9.]

It didn't take long for the counterfeit climate bill known as Waxman-Markey to push back against President Obama's agenda. As the president was arriving in Italy for his first Group of Eight summit, the New York Times was reporting that efforts to close ranks on global warming between the G-8 and the emerging economies had already tanked:

The world's major industrial nations and emerging powers failed to agree Wednesday on significant cuts in heat-trapping gases by 2050, unraveling an effort to build a global consensus to fight climate change, according to people following the talks.

Of course, emission targets in 2050 have limited practical meaning—present leaders will be dead or doddering by then—so these differences may be patched up. The important point is that other nations are unlikely to make real concessions on emissions if the United States is not addressing the climate matter seriously.

With a workable climate bill in his pocket, President Obama might have been able to begin building that global consensus in Italy. Instead, it looks as if the delegates from other nations may have done what 219 U.S. House members who voted up Waxman-Markey last month did not: critically read the 1,400-page American Clean Energy and Security Act of 2009 and deduce that it's no more fit to rescue our climate than a V-2 rocket was to land a man on the moon.

I share that conclusion, and have explained why to members of Congress before and will again at a Capitol Hill briefing on July 13. Science has exposed the climate threat and revealed this inconvenient truth: If we burn even half of Earth's remaining fossil fuels we will destroy the planet as humanity knows it. The added emissions of heat-trapping carbon dioxide will set our Earth irreversibly onto a course toward an ice-free state, a course that will initiate a chain reaction of irreversible and catastrophic climate changes.

The concentration of CO_2 in our atmosphere now stands at 387 parts per million, the highest level in 600,000 years and more than 100 ppm higher than the amount at the dawn of the Industrial Revolution. Burning just the oil and gas sitting in known fields will drive atmospheric CO_2 well over 400 ppm and ignite a devil's cauldron of melted ice-caps, bubbling permafrost, and combustible forests from which there will be no turning back. But if we cut off the largest source of carbon dioxide, coal, we have a chance to bring CO_2 back to 350 ppm and still lower through agricultural and forestry practices that increase carbon storage in trees and soil.

The essential step, then, is to phase out coal emissions over the next two decades. And to declare off limits artificial high-carbon fuels such as tar sands and shale while moving to phase out dependence on conventional petroleum as well.

This requires nothing less than an energy revolution based on efficiency and carbon-free energy sources. Alas, we won't get there with the Waxman-Markey bill, a monstrous absurdity hatched in Washington after energetic insemination by special interests.

For all its "green" aura, Waxman-Markey locks in fossil fuel business-as-usual and garlands it with a Ponzi-like "cap-and-trade" scheme. Here are a few of the bill's egregious flaws:

- It guts the Clean Air Act, removing EPA's ability to regulate CO2 emissions from power plants.
- It sets meager targets -- 2020 emissions are to be a paltry 13% less than this year's level—and sabotages even these by permitting fictitious "offsets," by which other nations are paid to preserve forests—while logging and food production will simply move elsewhere to meet market demand.
- Its cap-and-trade system, reports former U.S. Undersecretary of Commerce for Economic Affairs Robert Shapiro, "has no provisions to prevent insider trading by utilities and energy companies or a financial meltdown from speculators trading frantically in the permits and their derivatives."
- It fails to set predictable prices for carbon, without which, Shapiro notes, "businesses and households won't be able to calculate whether developing and using less carbon-intensive energy and technologies makes economic sense," thus ensuring that millions of carbon-critical decisions fall short.

There is an alternative, of course, and that is a carbon fee, applied at the source (mine or port of entry) that rises continually. I prefer the "fee-and-dividend" version of this approach in which all revenues are returned to the public on an equal, per capita basis, so those with below-average carbon footprints come out ahead.

A carbon fee-and-dividend would be an economic stimulus and boon for the public. By the time the fee reached the equivalent of $1/gallon of gasoline ($115/ton of CO_2) the rebate in the United States would be $2000-3000 per adult or $6000-9000 for a family with two children.

Fee-and-dividend would work hand-in-glove with new building, appliance, and vehicle efficiency standards. A rising carbon fee is the best enforcement mechanism for building standards, and it provides an incentive to move to ever higher energy efficiencies and carbon-free energy sources. As engineering and cultural tipping points are reached, the phase-over to post-fossil energy sources will accelerate. Tar sands and shale would be dead and there would be no need to drill Earth's pristine extremes for the last drops of oil.

Some leaders of big environmental organizations have said I'm naive to posit an alternative to cap-and-trade, and have suggested I stick to climate modeling. Let's pass a bill, any bill, now and improve it later, they say. The real naivete is their

elief that they, and not the fossil-fuel interests, are driving the legislative process.

The fact is that the climate course set by Waxman-Markey is a disaster course. Their bill is an astoundingly inefficient way to get a tiny reduction of emissions. It's less than worthless, because it will delay by at least a decade starting on a path that is fundamentally sound from the standpoints of both economics and climate preservation.

Former Defense Secretary Robert McNamara, who died this week, suffered for 40 years—as did our country—from his failure to turn back from a failed policy. As grave as the blunders of the Vietnam War were, the consequences of a failed climate policy will be more severe by orders of magnitude.

With the Senate debate over climate now beginning, there is still time to turn back from cap-and-trade and toward fee-and-dividend. We need to start now. Without political leadership creating a truly viable policy like a carbon fee, not only won't we get meaningful climate legislation through the Senate, we won't be able to create the concerted approach we need globally to prevent catastrophic climate change.

http://www.carbontax.org/blogarchives/2009/07/09/g-8-failure-reflects-us-failure-on-climate-change/

An insight into the West's role in China's emissions

[Guan, D., Peters, G.P., Weber, C.L. et al. (2009): Journey to world top emitter: An analysis of the driving forces of China's recent CO_2 emissions surge.]

In 2007, China emitted 21 per cent of global CO_2 emissions, making it the largest emitter in the world. A new international study shows that exports to the West are a major source of these emissions. China is the world's third largest exporter; alongside its growth in export-orientated production its energy consumption has nearly doubled. Trade between the EU and China has increased in recent years and China is now the EU's second trading partner behind the USA1.

In 2006, China made its first commitment to improving energy efficiency, aiming to reduce energy consumption by 20 per cent from 2005 to 2010. However, with just one year to go, China is facing a major challenge. By understanding the causes of its growth in emissions, China may be able to manage the key driving forces and the EU can understand its role in terms of imports.

The study used a method called 'structural decomposition analysis' whereby CO 2 emissions were 'decomposed' into five driving forces: population, emission intensity or efficiency, economic production structure, consumption patterns and per capita consumption volume. It used data from the Chinese National Bureau of Statistics for the period 2005 to 2007.

The analysis demonstrated that two main factors drive the growth in emissions: an increase in per capita consumption (37 per cent of growth in emissions) and changes in the structure of production (27 per cent of growth in emissions). Population growth and changing lifestyles are relatively weak factors, causing only 2 and 1 per cent of emission increase respectively. Efficiency gain has largely lost its capacity to offset CO_2 emissions because electricity generation has remained coal dominated.

Changes in China's production structure are mainly due to its growth in manufacturing, especially for exported products. Half of the emissions

increase is due to production of exported goods and services, 60 per cent of which are exported to the West. This means Western consumers are partially responsible for one third of increases in Chinese emissions. These exports tend to be electronic products, metals, chemicals and textile products.

The results raise a number of implications. Firstly, China should focus on energy efficiency in its manufacturing and accelerate its development in low-carbon technologies. It must also review its export structure, perhaps by adding further value to its exports. In addition, international climate agreements such as the Kyoto Protocol could consider ways to address 'carbon leakage', whereby a country reduces emissions in its own territory but causes increases elsewhere through imports. The EU is already taking steps to assess this at a European level2.

The current global financial crisis has temporarily reduced the growth of China's exports and CO_2 emissions, but export-related emissions will rise in the long-run and measures need to be introduced. For example, climate policy could be redesigned to be similar to tax policy, i.e. carbon taxes could be introduced on imported products similar to value-added taxation.

4. CURRENT ISSUES – FINANCIAL CRISIS

Greening the Debt

[By Jakob Von Weizsäcker, NY Times/ Le Monde/ DIE ZEIT, April 15 2009]

The global economic crisis and climate change are probably the two signature challenges of our time. Luckily, there are ways to make our responses to these challenges mutually reinforcing.

One approach is to green the expenditures of the fiscal stimulus packages, as called for by the final communiqué of the G-20 summit. But the room for maneuver here is limited. An estimated 15 percent of the stimulus packages are already green. And because it is the primary objective of the fiscal stimulus to support the economy in the short run, it is not possible to devote a much larger proportion to the longer term objective of fighting climate change.

However, there is another way to green the stimulus: greening the enormous additional debt due to deficit spending. In 2009 alone, E.U. countries will pile up a stimulus debt of around 115 billion, or 0.9 percent of GDP, with the United States adding twice as much an estimated 220 billon, or 2 percent of GDP. These debts could be "greened" by a firm international commitment to repay them exclusively with additional revenues from CO_2 taxes and emissions cap-and-trade schemes.

This is what I propose should be done.

The additional green revenues would be raised as soon as economies recover enough to repay the stimulus debts. The time-path of debt repayment could be explicitly linked to the timing of the economic recovery. And once the stimulus debt has been repaid, the green revenues would be used to reduce the fiscal burden on labor. Such a shift from taxation that reduces desirable employment to taxation that reduces undesirable pollution will lead to welfare gains.

The envisaged increase in green revenues is ambitious, but not utopian. In the E.U., green taxes already make up 2.6 percent of GDP substantially more than the annual size of the stimulus packages to date. Green tax revenues in the United States are far lower, but the Obama administration is already working on a cap-and-trade scheme that could generate the required revenues.

Repaying stimulus debt through green taxes has a number of advantages:

First, there are efficiency reasons to complement the carrot of green subsidies with the stick of green taxes. The latter clearly addresses the underlying problem, namely that private agents do not fully take into account the negative climate externality of CO_2 emissions. By contrast, the carrot of green subsidies is better suited to dealing with a narrower and positive externality the spill-over effects of technological innovation aimed at reducing CO_2 emission.

Second, green revenues not only improve environmental but also fiscal sustainability. A credible commitment by countries under fiscal pressure on how they will repay their debts could serve to reassure financial markets. Even countries like Ireland without the fiscal room for maneuver for discretionary fiscal measures might be tempted to participate in the greening of part of its debt.

Third, green debt makes the case for coordination of fiscal stimuli even more compelling. Such coordination could address fiscal and environmental free-riding at the same time: All countries that commit to a fiscal stimulus would thereby automatically commit to increase their CO_2 taxes at a later stage to service their green debt.

Only a couple of years ago, this proposal would have been completely unrealistic. Ironically, the threat to fiscal sustainability during this economic crisis may be decisive in helping our economies to move toward environmental sustainability.

Jakob von Weizsäcker is a resident scholar with Bruegel, a think tank in Brussels partly funded by 16 EU member governments.

http://www.atlantic-community.org/index/articles/view/Greening_the_Debt

Is the German Stimulus Package Sustainable? FÖS report commissioned by the WWF

[By Sebastian Schmidt and Florian Prange, July 26th 2009]

It is not, as only 13% of the expenditures of the two economic stimulus packages of the German government can be considered "green". This is the main finding of a recent report written by GBG for WWF. The international fiscal crisis is no longer only affecting international investment, production and trade volumes. More and more national economies, even at local government level, are having to cope with the consequences and it seems that recession is looming. Against this background, demand-oriented stimulus packages designed to kick start the system and prevent recession have been implemented by the EU Member States and at EU level as well.

The report evaluates the German, European Union and Polish stimulus packages on the basis of ecological, economic and social sustainability criteria, with the main emphasis placed on ecological impacts. Sustainability indicators derived from the European's Strategy for Sustainable Development are used as a basis for the analysis. These indicators are applied to individual measures within the stimulus packages and their sustainability evaluated. An overview of results is provided in a summarising table. The end of the report contains a brief evaluation of the packages and suggestions for improvement. This section also analyses the interrelationships between national – German and Polish – and European Union economic stimulus policy. The justifiable question of whether stimulus packages that involve borrowing that will severely curtail the freedom of action of future generations can ever be described as sustainable is not directly addressed in this report, as the report is – at this initial stage – simply an evaluation of the effects of the measures themselves.

http://www.foes.de/pdf/WWF_Konjunkturstudie_250609a.pdf)

www.wwf,de

5. LINKS AND PUBLICATIONS

Report: Policies other than cap-and-trade can best meet 2020 emission goals

[Climate Group, July 6 2009]

Tony Blair called for immediate action on energy efficiency and a definitive commitment to develop the next generation of the technological revolution needed to get the world started down the low-carbon path.

The 'Technology for a Low Carbon Future' report finds that 70% of the reductions needed by 2020 can be achieved by investing in energy efficiency – lighting, vehicles, buildings and motors – and reducing deforestation.

The report concludes that the strategy that should be adopted at the MEF and into Copenhagen should be to focus on existing energy efficiency and renewable energy technologies, along with efforts to halt deforestation, which can deliver major short-term cuts in emissions, while we invest in next generation technologies – carbon capture and storage, new approaches to nuclear and solar, and emerging biotech based solutions – that will drive down emissions through to the middle of the century.

Tony Blair said: "Just as investing in electrification, railways and the internet led to economic growth in the past, investing in clean energy can help reignite the global economy now."

The main report findings are:

- Major emission reductions are achievable by 2020 if we focus action on certain key solutions now;
- Fully 70% of the reductions needed by 2020 can be achieved by investing in en-

ergy efficiency – lighting, vehicles, buildings and motors - and reducing deforestation, the costs of which are manageable and generate positive returns;

- Just seven known policies that are already being successfully implemented in different parts of the world can deliver these reductions: they just need scaling up;
- We need to invest now in the development of those future technologies that will take time to mature, in particular carbon capture and storage (CCS), large scale solar and new generation nuclear, along with public infrastructure such as smart grids;
- International cooperation spurred by an ambitious agreement in Copenhagen can rapidly bring costs down and accelerate scale up of both current and future technologies.

Tony Blair said: "This report shows how major reductions even by 2020 are achievable if we focus action on certain key technologies, deploy policies that have been proven to work, and invest now for the development of those future technologies that will take time to mature.

"And these technologies bring economic and social opportunities too. Just as investing in electrification, railways and the internet led to economic growth in the past, investing in clean energy can help reignite the global economy now.

"This report shows that the challenge of combating climate change remains formidable; but it is do-able. This is not mission impossible.

"On the contrary, with the necessary decisions now, there is a credible, practical realistic as we as radical way to act. We can set the world on a new path to a low carbon future; the Major Economies Forum is able to put in place a framework for a successful global accord in Copenhagen in December."

Steve Howard, CEO of The Climate Group, which works internationally with business leaders to accelerate a low carbon economy, said: "Many businesses are already leading the way by investing in innovative and exciting clean technologies – including solar power, electric vehicles and smart buildings – that cut emissions, help growth and create jobs. Politicians must now match this leadership by agreeing challenging targets that provide a clear framework for transformational investment in the low carbon economy."

An executive summary of the report is available here:
http://www.theclimategroup.org/assets/resources/Technology_for_a_low_carbon_future_-_summary.pdf

The whole report is available here:

http://www.theclimategroup.org/assets/resources/Technology_for_a_low_carbon_future_report.pdf

6. EVENTS

GBE Annual Conference: "Environmental Policy in Times of Financial Crisis"

London, UK

17th July 2009

The annual conference of GBE took place in London. The main goal of the conference was to show and to explain to decision makers and the interested public in the EU that economic instruments in environmental policy can both contribute to the solution of environmental and economic problems. Energy and resource taxation, emission trading and the removal of environmental harmful subsidies are on the one hand providing incentives to increase the efficiency and effectivity of the economic activity in Europe and lead to a better quality of our ecosystems on the other hand. By the way they could be used to raise revenue for stabilising measures. Therefore we chose several items, whom we attributed such impacts. Green Budget Europe will then take up the points made in the discussion to sharpen its positions and to engage further on a high level in the discourse on the European level.

The Conference programm, the documentation and more information is available on our website: http://www.green-budget.de. To register, send an e-mail containing your contact information to mailto:foes@foes.de.

"Resource productivity, environmental tax reform and sustainable growth in Europe",
London, UK
July 15th– 16th 2009

Back-to-back with the GBE Annual Conference, the final conference of the PETRE project took place at the King's College London looking at radical long-term EFR options. During the conference the long-term results of a project funded by the Anglo-German Foundation was be presented. Informations about the conference are available on: http://www.petre.org.uk/events.htm. Two follow up seminars will take place in London on 25 November 2009 and in Berlin on 29 October 2009. The conferences, entitled "creating sustainable growth in Europe", will be hosting by the Anglo-German-Foundation.

15th International Symposium on Society and Resource Management (ISSRM)
Vienna, Austria
5th – 8th July 2009

Hosted by the University of Natural Resources and Applied Life Sciences (BOKU)

The International Symposium on Society and Resource Management is the official annual meeting of the International Association for Social and Natural Resources for academic and government researchers, students, land managers and NGO representatives. The ISSRM 2009 conference in Vienna opens insights into diverse themes in Research, Planning and Management from all over the world.

Conference themes included following topics:

- Climate Change Adaptation with a special focus on gender aspects
- Non-wood services: Nature and human health
- Wildlife and Conservation: "Threat or threatened? Challenges and opportunities in recovering predatory endangered species"
- Sustainable Development: "What is non-renewable but sustainable? The role of extractive industries in development"
- New Governance: "Participatory governance in natural resource management: Between effectiveness and legitimacy"
- Natural Resource Policy: "The challenge of coordination: Bridging horizontal and vertical boundaries in environmental and natural resource policy"

Please visit the website: http://www.issrm09.info/ or contact mailto:issrm09@boku.ac.at for further information on the ISSRM 2009.

"Enabling an Eco-efficient Economy - Joint session for environment and energy ministers"
Åre, Sweden
July 24th-25th 2009

On 24 and 25 July, the EU ministers for environment met in Åre. The informal meeting of energy ministers was held back-to-back with the informal meeting of environment ministers. The focus of these meetings was on how to coordinate the policy agendas on climate change, energy-efficiency, innovation and competitiveness in order to create synergies and ensure growth and sustainability.Informations about the conference and the final press summary are available on:
http://www.se2009.eu/polopoly_fs/1.10367!menu/standard/file/FINAL_Pres_summary_090724.pdf

Tenth Annual Global Conference on Environmental Taxation: Water Management and Climate Change
Lisbon, Portugal
23th – 25th September 2009

The Tenth Annual Global Conference on Environmental Taxation will take place on 23 - 25 September 2009 in Lisbon (Portugal) focusing on two topics, Water Management and Climate Change.

The conference will cover a broad spectrum of environmental tax policy issues with regard to water management and climate change law and foster cross-disciplinary links among economics, law and political science. Each topic includes a keynote plenary session and several parallel panels.

CALL FOR PAPERS

Contributions from the following fields are especially welcome:

- Water management policies and institutional frameworks
- Tax instruments for climate change prevention and mitigation
- Coordination of environmental taxes with other environmental economic instruments
- Benchmarking of energy tax systems
- International competitiveness in the presence of climate policies with tax instruments
- New tax-related financial mechanisms for climate and coastal protection in developing countries and small island states

Green Budget Germany will at least be repressented by its Vice-President Kai Schlegelmilch.

Conference website: http://GCET2009.com/

Contact for further information: Claudia Dias Soares (casoares@porto.ucp.pt)

The Copenhagen Climate Exchange 2009, Copenhagen, Denmark, 3rd – 6th December 2009

The Copenhagen Climate Exchange 2009 offers you an opportunity to share your visions and experiences on how to fight climate change with an international audience. NGOs, cities and innovative enterprises from across the World gather in Copenhagen to exchange ideas. Thousands of visitors and international media exposure will be expected. The Copenhagen Climate Exchange 2009 is a four day event leading up to COP15, the official UN climate summit in Copenhagen, December 2009.

Further details: http://www.cphco2009.dk

The International Workshop on Environmental Finance and Taxation Policy Beijing,China December 10-11, 2009

Public finance and taxation policies are instrumental to the achievement of environmental protection targets and to materialize a scientific outlook on development. In recent years, the development of public finance and taxation policy in the environmental realm has been promoted by government departments of Environmental Protection and Finance and also moved forward through studies by other research bodies. The International Workshop on Environmental Finance and Taxation Policy will be an opportunity for participants to better understand this growing field, explore new methods of environmental protection, exchange research outcomes, and share practical experience in the area. The international workshop will be held in Beijing on Dec.10-11,2009 and is jointly organized by the Chinese Academy for Environmental Planning (CAEP) of the Ministry of Environmental Protection, and the Department of Environmental Science and Engineering of Tsinghua University.

7. IMPRINT

Best wishes from the founders and the editors!

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